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Introduced by

Date:

Subject: Taxation; statewide education property tax; rates

Statement of purpose of bill as introduced:

This bill proposes to establish the statewide education tax base rates and base education amount for fiscal year 2015. The bill also requires that the Commissioner of Taxes, when formulating his or her rate recommendations under statute, assume that the applicable percentage base for the purpose of calculating income sensitivity is 2.0.

The bill also makes several changes to Vermont’s education financing laws. It increases the average daily membership calculation for districts that add more than 20 students. It permits a decrease in the calculation of equalized pupils. The bill adds language that phases out the education spending support for small schools over three years, except for schools that are small by geographic necessity. The bill eliminates the high spending threshold and replaces it with an allowable increase for all districts tied to inflation. The bill lowers the calculation of allocable rent for purposes of the renter rebate, and requires a report on how best to support renters in Vermont. The bill extends the slope for people who phase out of receiving income sensitivity payments, and it reduces the total cap on income sensitivity payments from \$8,000.00 to

1 \$6,000.00. The bill also requires that half of any unreserved surplus in the
2 General Fund be added to the General Fund transfer to the Education Fund,
3 and that the same amount be added to the General Fund transfer base in future
4 years.

5 An act relating to setting the statewide education tax base rates and base
6 education amount for fiscal year 2015 and making several changes to
7 Vermont's education financing laws

8 It is hereby enacted by the General Assembly of the State of Vermont:

9 * * * Statewide Education Property Tax Rates, Base Education
10 Amount, and Applicable Percentage * * *

11 Sec. 1. FISCAL YEAR 2015 EDUCATION PROPERTY TAX RATES AND
12 APPLICABLE PERCENTAGE

13 (a) For fiscal year 2015 only, the education property tax imposed under
14 32 V.S.A. § 5402(a) shall be reduced from the rates of \$1.59 and \$1.10 and
15 shall instead be at the following rates:

16 (1) the tax rate for nonresidential property shall be \$1.52 per
17 \$100.00; and

18 (2) the tax rate for homestead property shall be \$0.99 multiplied by the
19 district spending adjustment for the municipality per \$100.00 of equalized
20 property value as most recently determined under 32 V.S.A. § 5405.

1 (b) For claims filed in 2015 only, “applicable percentage” in 32 V.S.A.
2 § 6066(a)(2) shall be reduced from 2.0 percent and instead shall be 1.94
3 percent multiplied by the fiscal year 2015 district spending adjustment for the
4 municipality in which the homestead residence is located; but in no event shall
5 the applicable percentage be less than 1.94 percent.

6 Sec. 2. FISCAL YEAR 2015 BASE EDUCATION AMOUNT

7 As provided in 16 V.S.A. § 4011(b), the base education amount for fiscal
8 year 2015 shall be \$9,382.00.

9 Sec. 3. 32 V.S.A. § 5402b(b) is amended to read:

10 (b) If the Commissioner makes a recommendation to the General Assembly
11 to adjust the education tax rates under section 5402 of this title, the
12 Commissioner shall also recommend a proportional adjustment to the
13 applicable percentage base for homestead income based adjustments under
14 section 6066 of this title, but the applicable percentage base shall not be
15 adjusted below ~~1.8~~ 2.0 percent.

16 * * * Increase in Average Daily Membership * * *

17 Sec. 4. 16 V.S.A. § 4010(b) is amended to read:

18 (b) The ~~commissioner~~ Secretary shall determine the long-term membership
19 for each school district for each student group described in subsection (a) of
20 this section. The ~~commissioner~~ Secretary shall use the actual average daily
21 membership over two consecutive years, the latter of which is the current

1 school year. ~~If, however, in one year, the actual average daily membership of~~
2 ~~kindergarten through 12th grade increases by at least 20 students over the~~
3 ~~previous year, the commissioner shall compute the long term membership by~~
4 ~~adding 80 percent of the actual increase, to a maximum increase of 45~~
5 ~~equalized pupils.~~

6 * * * Decrease in Equalized Pupils; Hold-Harmless Provision

7 (applies to equalized pupil calculations in fiscal year 2016 and after) * * *

8 Sec. 5. 16 V.S.A. § 4010(f) is amended to read:

9 (f) For purposes of the calculation under this section, a district's equalized
10 pupils shall in no case be less than ~~96 and one-half~~ 95 percent of the district's
11 equalized pupils in the previous year.

12 * * * Education Spending in Small Schools * * *

13 Sec. 6. 16 V.S.A. § 4015 is amended to read:

14 § 4015. SMALL SCHOOL SUPPORT

15 (a) In this section:

16 (1) "Eligible school district" means a school district which operates at
17 least one school; and

18 (A) has a two-year average combined enrollment of fewer than 100
19 students in all the schools operated by the district; ~~or~~ and

20 (B) ~~has an average grade size of 20 or fewer~~ been determined by the
21 Secretary of Education to be eligible due to geographic necessity.

1 (2) “Enrollment” means the number of students who are enrolled in a
2 school operated by the district on October 1. A student shall be counted as one
3 whether the student is enrolled as a full-time or part-time student.

4 (3) “Two-year average enrollment” means the average enrollment of the
5 two most recently completed school years.

6 (4) “Average grade size” means two-year average enrollment divided by
7 the number of grades taught in the district on October 1. For purposes of this
8 calculation, kindergarten and pre-kindergarten programs shall be counted
9 together as one grade.

10 (5) “AGS factor” means the following factors for each average grade
11 size:

12 Average grade size

13	More than: - but less than or equal to:		Factor:
14	0	7	0.19
15	7	9	0.175
16	9	10	0.16
17	10	11	0.145
18	11	12	0.13
19	12	13	0.115
20	13	14	0.10
21	14	15	0.085

1	15	16	0.070
2	16	17	0.055
3	17	18	0.040
4	18	19	0.025
5	19	20	0.015

6 (6) “School district” means a town, city, incorporated, interstate, or
7 union school district or a joint contract school established under subchapter 1
8 of chapter 11 of this title.

9 (7) “Eligible due to geographic necessity” means that the Secretary of
10 Education has determined, on an annual basis, that the driving times, distances,
11 and travel routes are an obstacle to transporting students, consistent with the
12 methodology used by the Secretary in response to Acts and Resolves 2009
13 No. 153, Sec. 21(1). A determination by the Secretary of eligibility due to
14 geographic necessity under this section shall be final.

15 * * *

16 Sec. 7. EDUCATION SPENDING IN SMALL SCHOOLS

17 For fiscal year 2016, any school that was eligible for small school support
18 of its education spending under 16 V.S.A. § 4015 in fiscal year 2015 but is not
19 eligible in 2016 because the school is not eligible due to geographic necessity
20 shall, upon application, receive small school support that is two-thirds of the
21 support it received in fiscal year 2015. For fiscal year 2017, any school that

1 was eligible for a small school support of its education spending under
2 16 V.S.A. § 4015 in fiscal year 2015 but is not eligible for a small school grant
3 in 2017 because the school is not eligible due to geographic necessity shall,
4 upon application, receive small school support that is one-third of the support it
5 received in fiscal year 2015.

6 * * * Allowable Increase * * *

7 Sec. 8. 32 V.S.A. § 5401 is amended to read:

8 § 5401. DEFINITIONS

9 As used in this chapter:

10 * * *

11 (12) “Excess spending” means:

12 ~~(A) the per equalized pupil amount of the district’s education~~
13 ~~spending, as defined in 16 V.S.A. § 4001(6), plus any amount required to be~~
14 ~~added from a Capital Construction Reserve Fund under 24 V.S.A. § 2804(b);~~

15 ~~(B) in excess of 125 percent of the statewide average district~~
16 ~~education spending per equalized pupil in the prior fiscal year, as determined~~
17 ~~by the Secretary of Education on or before November 15 of each year based on~~
18 ~~the passed budgets to date. [Repealed.]~~

19 * * *

20 (13) “District spending adjustment” means the greater of: one or a
21 fraction in which the numerator is the district’s education spending plus excess

1 spending the amount by which it exceeds the allowable increase as defined in
2 subdivision (15) of this section, per equalized pupil, for the school year; and
3 the denominator is the base education amount for the school year, as defined in
4 16 V.S.A. § 4001. For a district that pays tuition to a public school or an
5 approved independent school, or both, for all of its resident students in any
6 year and which has decided by a majority vote of its school board to opt into
7 this provision, the district spending adjustment shall be the average of the
8 district spending adjustment calculated under this subdivision for the previous
9 year and for the current year. Any district opting for a two-year average under
10 this subdivision may not opt out of such treatment, and the averaging shall
11 continue until the district no longer qualifies for such treatment.

12 * * *

13 (15) “Allowable increase” means:

14 (A) for school districts whose spending per equalized pupil is at or
15 below the statewide average, the “allowable increase” means the statewide
16 average education spending per equalized pupil for the current fiscal year
17 increased by the most recent New England Economic Project cumulative price
18 index, as of November 15, for state and local government purchases of goods
19 and services from fiscal year 2015 through the fiscal year for which the amount
20 is being determined, plus one percent.

1 (B) for school districts whose spending per equalized pupil is above
2 the statewide average, the “allowable increase” means the statewide average
3 education spending per equalized pupil for the current fiscal year increased by
4 the most recent New England Economic Project cumulative price index, as of
5 November 15, for state and local government purchases of goods and services
6 from fiscal year 2015 through the fiscal year for which the amount is being
7 determined.

8 * * * Renter Rebate * * *

9 Sec. 9. 32 V.S.A. § 6061(7) is amended to read:

10 (7) “Allocable rent” means for any housesite and for any taxable year ~~24~~
11 19 percent of the gross rent. “Gross rent” means the rent actually paid during
12 the taxable year by the individual or other members of the household solely for
13 the right of occupancy of the housesite during the taxable year. “Allocable
14 rent” shall not include payments made under a written homesharing agreement
15 pursuant to a nonprofit homesharing program, or payments for a room in a
16 nursing home in any month for which Medicaid payments have been made on
17 behalf of the claimant to the nursing home for room charges.

18 Sec. 10. RENTER REBATE REPORT

19 The Department of Taxes, with the assistance of the Agency of Commerce
20 and Community Development and the Vermont Housing Council, shall report
21 to the Senate Committee on Finance and House Committee on Ways and

1 Means with recommendations on how to develop programs to assist renters in
2 lieu of the current renter rebate program at 32 V.S.A. § 6066(b). The report
3 shall consider the current benefits to renters from the renters' rebate program,
4 and propose alternative programs that also benefit renters. The report shall
5 assume that the renters' rebate program in its current form would end, and that
6 the State would fund the alternative proposed programs at the same level as the
7 current renters' rebate program. The report shall be due on or before
8 January 15, 2015.

9 * * * Income Sensitivity Slope; Housesite Value * * *

10 Sec. 11. 32 V.S.A. § 6066(a) is amended to read:

11 (a) An eligible claimant who owned the homestead on April 1 of the year in
12 which the claim is filed shall be entitled to an adjustment amount determined
13 as follows:

14 (1)(A) For a claimant with household income of \$90,000.00 or more:

15 (i) the statewide education tax rate, multiplied by the equalized
16 value of the housesite in the taxable year;

17 (ii) minus (if less) the sum of:

18 (I) the applicable percentage of household income for the
19 taxable year; plus

1 (II) the statewide education tax rate, multiplied by the
2 equalized value of the housesite in the taxable year in excess of ~~\$200,000.00~~
3 \$250,000.00.

4 * * *

5 * * * Income Sensitivity Limit * * *

6 Sec. 12. 32 V.S.A. § 6067 is amended to read:

7 § 6067. CREDIT LIMITATIONS

8 Only one individual per household per taxable year shall be entitled to a
9 benefit under this chapter. An individual who received a homestead exemption
10 or adjustment with respect to property taxes assessed by another state for the
11 taxable year shall not be entitled to receive an adjustment under this chapter.
12 No taxpayer shall receive an adjustment under subsection 6066(b) of this title
13 in excess of \$3,000.00. No taxpayer shall receive total adjustments under this
14 chapter in excess of ~~\$8,000.00~~ \$6,000.00 related to any one property tax year.

15 * * * General Fund Transfer * * *

16 Sec. 13. GENERAL FUND TRANSFER BASE CALCULATION

17 (a) At the end of fiscal year 2014 and at the end of any following fiscal
18 year, notwithstanding 32 V.S.A. §§ 308c and 308d, after the General Fund
19 Budget Stabilization Reserve attains its statutory maximum, one-half of any
20 additional unreserved and undesignated General Fund balance shall be added
21 to the amount transferred to the Education Fund until the Joint Fiscal

1 Committee has determined that the goal in subsection (c) of this section has
2 been met.

3 (b) Notwithstanding any other provision of law, an amount equal to the
4 amount transferred to the Education Fund under subsection (a) of this section
5 shall be added to the base amount used to calculate the General Fund transfer
6 under 16 V.S.A. § 4025(a)(2) for the following fiscal year.

7 (c) It is the intent of the General Assembly to return gradually to the
8 adjusted amount of the General Fund transfer, as increased annually under the
9 formula prescribed by 16 V.S.A. § 4025(a)(2), that would have been used but
10 for the changes in Acts and Resolves 2011 No. 63, Sec. E.513.1. The Joint
11 Fiscal Committee shall determine when the increases to the base amount in
12 16 V.S.A. § 4025(a)(2) made under subsection (b) of this section have attained
13 the goal stated in this subsection.

14 (d) The Joint Fiscal Office shall report to the Joint Fiscal Committee at
15 least annually on the progress made under this section in returning to the base
16 amount of the General Fund transfer to the Education Fund under 16 V.S.A.
17 § 4025(a)(2) of \$280,200,000.00, as increased by the inflationary index in that
18 section, starting in fiscal year 2008.

19 * * * Repeals * * *

1 Sec. 14. REPEAL

2 (a) 2013 Acts and Resolves No. 60, Secs. 1, 2, 6(a), and 6(b) (excess
3 spending percentage decreases) are repealed on passage of this act.

4 (b) 16 V.S.A. § 4001(6)(B) (excess spending exemptions) is repealed on
5 July 1, 2014.

6 * * * Effective Dates * * *

7 Sec. 15. EFFECTIVE DATES

8 (a) This section, Secs. 10 (renter rebate report), 13 (General Fund transfer),
9 and 14 (repeal) shall take effect on passage.

10 (b) Secs. 1 (statewide education tax base rates) and 2 (base education
11 amount) shall take effect on passage and apply to education property tax rates
12 and the base education amount for fiscal year 2015.

13 (c) Sec. 3 (applicable percentage) shall take effect July 1, 2014 and apply to
14 the Commissioner of Taxes' recommendations beginning with fiscal year
15 2016.

16 (d) Sec. 4 (increased average daily membership) shall take effect on July 1,
17 2014 and shall apply to long-term membership calculations for fiscal year 2016
18 and after.

19 (e) Sec. 5 (hold-harmless provision) shall take effect on July 1, 2014 and
20 shall apply to equalized pupil calculations for fiscal year 2016 and after.

1 (f) Secs. 6 (small school support) and 7 (education spending in small
2 schools) shall take effect on July 1, 2014 and apply to fiscal year 2016 and
3 after.

4 (g) Sec. 8 (allowable increase) shall take effect July 1, 2014 and apply to
5 property tax calculations for fiscal year 2016 and after.

6 (h) Notwithstanding 1 V.S.A. § 204, Secs. 9 (allocable rent), 11 (housesite
7 value), and 12 (adjustment limit) shall take effect retroactively on January 1,
8 2014 and apply to claims filed for fiscal year 2015.